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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-48120

APR 6 1975

Mr. Curtis J. Berklund
Director
Bureau of Land Management
Department of the Interior



Dear Mr. Berklund:

We surveyed the Bureau of Land Management's (Bureau) accounting system to determine if it was being operated in accordance with the system design approved by the Comptroller General in August 1971.

Our work was performed at the Denver Service Center, the Colorado State and Grand Junction District Offices, and the Bureau's headquarters in Washington, D. C. We observed, and made limited tests of, the procedures used to control and account for revenues and collections, disbursements, obligations, and property; the accounting procedures used in maintaining the general ledger, including property accounts, liabilities and accruals; and the extent to which internal and external reports were derived from the accounting records. Our survey included a test of the controls in the automated payroll system utilized by the Bureau.

Except as noted in this report, the aspects of the accounting system that we observed were being operated in accordance with the system design approved by the Comptroller General and appear to be substantially in compliance with the principles, standards, and related requirements currently prescribed by the Comptroller General in Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies. The areas noted in this report were discussed with Bureau officials at a close-out conference held October 3, 1974, in Denver.

IMPROVEMENTS NEEDED IN
ACCOUNTING FOR EASEMENTS
AND RIGHTS-OF-WAY

Easements and rights-of-way acquired by the Bureau were commingled in a general ledger control account with roads owned outright

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by the Federal Government. Subsidiary records of Government-owned roads were maintained but none of easements and rights-of-way. As a result, the subsidiary property records could not be directly reconciled with the general ledger control account.

To clearly disclose the nature of the Government's property assets, we believe easements and rights-of-way should be accounted for and reported separately from property owned outright by the Government. Moreover, subsidiary records of the location, costs, and other detailed information needed for effective management and control of the property should be maintained and reconciled periodically with the general ledger control accounts.

Recommendations

To more fully disclose the nature of property assets and provide improved information for their management, we recommend that you require that easements and rights-of-way

- Be accounted for and reported separately from Government-owned property.
- Be recorded in subsidiary records which should contain descriptive and cost data adequate for effective management and control and which should be periodically reconciled with the general ledger control accounts.

PERIODIC REDETERMINATIONS OF REIMBURSABLE INDIRECT COSTS NEEDED

Recipients of Bureau services, such as property surveys, pest control or management of land and resources, were charged for the direct and indirect costs of providing the services. Indirect costs were computed by applying rates ranging from 5 percent to 25 percent to direct costs, amounts billed, and allotment advices.

When we inquired into the basis for the rates, Bureau personnel told us the documentation supporting the rates could not be located, the rates had not been reviewed for several years, and they did not know if the rates were adequate to recover all reimbursable indirect costs.

Charges designed to recover costs should be based on current and complete cost information to assure that full costs are recovered.

We suggested that the Bureau periodically redetermine and document the rates used to recover overhead costs for reimbursable services, and Bureau officials agreed this should be done.

ACCUMULATED DEPRECIATION SHOULD BE
REMOVED FROM ACCOUNTS WHEN PROPERTY
IS DISPOSED OF

The principles, standards and related requirements prescribed by the Comptroller General in 2 GAO 12.5 and the Bureau's accounting manual require that the cost or other basis for accounting for property disposed of be removed from the accounts along with any depreciation that has been accumulated in the accounts. The Bureau's accounting manual also requires that any gain or loss arising from the disposition must be debited or credited to a nonoperating income and expense account.

The Bureau, in recording capitalized equipment disposals, removed the cost of the equipment but not the accumulated depreciation.

This practice results in (1) overstating the amount of depreciation applicable against the remaining equipment and (2) misstating the amount of realized gains and losses from equipment dispositions.

Recommendation

To properly account for property dispositions, we recommend that you require that accumulated depreciation applicable to property that has been disposed of be removed from the accounts and applied to a nonoperating income and expense account containing gains and losses from property dispositions.

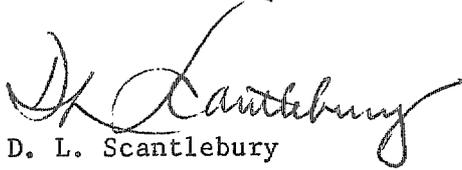
CHANGES NEEDED IN THE
AUTOMATED PAYROLL SYSTEM
USED BY THE BUREAU

As a result of our automated test of the controls in the automated payroll system used by the Bureau, we suggested that additional controls, such as computer edits of the rates paid for overtime and salary steps, be included in the system. Bureau officials agreed that these changes should be made.

We wish to acknowledge the courtesies and cooperation extended our representatives during our survey. We would be pleased to discuss our findings with you, and would appreciate receiving your comments on them.

A copy of this letter is being sent to the Assistant Secretary-
Land and Water Resources and the Director, Office of Audit and
Investigation.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "D. L. Scantlebury".

D. L. Scantlebury
Director

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